

Transactions *of* The Chartered Surveyors' Institution

SESSION 1942-3.

AT THE ORDINARY GENERAL MEETING

Held at the Chartered Surveyors' Institution on Tuesday, 9th February, 1943.

Mr. W. C. FARNSWORTH (President) in the Chair.

A DISCUSSION took place on

THE REPORT OF THE UTHWATT COMMITTEE ON COMPENSATION AND BETTERMENT.

A report of the discussion on the Development Rights Scheme appeared in the Transactions with the March issue of the *Journal*. The following written contribution on the subject has been received from Sir GWILYM GIBBON, C.B., C.B.E., D.SC., who was present at the meeting, but, owing to a misunderstanding, did not speak.

THE DEVELOPMENT RIGHTS SCHEME.

"I was at the meeting, but was at the back of the hall and did not hear my name called. I thus missed the privilege of once again addressing members of the Institution, a body from which I received much help in my official days. The following is the gist of what I would have said."

After expressing admiration for the restraint and discretion of Mr. Sydney

Smith's statement, Sir Gwilym Gibbon continues. "I give way to none in my desire for the well-being of the countryside. I have long been on the Executive Committee of the Council for the Preservation of Rural England. I was also a member of the National Parks Committee and had more than a little to do with its report. But I am convinced that the proposals of the Uthwatt Committee for the acquisition of development rights are woefully mistaken. I have given the reasons for this conclusion in a book, recently published,* and might have added more. I say there that the proposals are not good business, not good administration and not good planning. Not good business because payment would have to be made (equitably so) without equivalent value in return—for example, for severance and for development rights which never mature. (Valuers will be familiar with instances where, especially after the last war, development never matured on sites previously with good prospects, because of changes in circumstances. Incidentally, the fixing of compensation for severance which is doubtful, because the development itself is doubtful, will surely present some pretty problems.) Not good administration because, I suggest, the dealing with patches of land all over the country is centralization gone crazy. Not good planning because planning by patches is the negation of the intention of town and country planning. This, of course, is no more than a broad indication of the objections.

"It seems to me that the proposals also show a surprising want of proportion. They remind one of the distorting mirrors which used to be placed on each side of the entrance to certain eating houses in earlier days, the one showing the customer lean and lanky as he went in, the other fat and chubby as he came out. Far the biggest and the most difficult problem of planning lies in the towns, especially the large towns. Reductions in value which may be brought about there by zoning provisions alone, for which no compensation is usually payable, may greatly exceed possible reductions in rural areas even if compensation were there wholly excluded. And it must be remembered that the Committee proposes a wide extension of the right to exclude compensation. For the latter, however, the committee proposes the elaborate scheme of acquiring development rights, whereas the specific proposal for the former, the towns, is power to acquire land, with buildings, which needs re-development, the replotting of the sites and their leasing, a remedy which is not likely at best to touch more than the fringe of the problem because of probable cost and, except perhaps in a few carefully chosen instances, charge on the rates. It would also be a slow operation.

"Moreover, the remedy is faulty. The committee make a big song about floating values in rural areas, with good reason, I think. But, so far as I recall, no mention is made of floating values in already developed areas of towns. But they exist there, especially in the inner parts, to a total value probably much beyond those in the countryside. That is why, for instance, the London County Council has had to pay thousands of pounds the acre for land acquired for housing the working classes (at substantial cost to public funds), although the land and a large neighbouring area may have been occupied chiefly by working class dwellings, and only a small proportion of the total land in the district is ever likely to be used for industrial or business premises. Yet it was 'floating value' for such purposes which probably gave the acquired land its high market value.

* *Reconstruction and Town and Country Planning*. Published by The Architect and Building News, Rolls House, 2, Breams Buildings, E.C.4. Price 15/-.

"One more point about floating values. It seems to me that the reduction (or correction) of market value in terms of global value is right in principle. Questions may arise, however, about the appropriate unit of global value. It may have been right in the case of the coal royalties to take the global value for the whole country; I express no opinion one way or the other. But in the case of development rights, it is obvious that the proportion of floating value in the neighbourhood of rapidly growing towns is much larger than in that of towns which are almost stationary. This is a comment by the way; I have made it clear that to me the whole scheme of acquiring development rights is misconceived.

"I will not enter here on possible alternatives, and confine myself to the mention of two matters which indirectly bear on the subject. I think that a levy on increments in land values is inevitable, and equitable if raised on realized increments, not on those which are not more than 'realizable.' Secondly, contrary to the Scott Committee, which regards the village as almost sacrosanct, I suggest that industries should be encouraged there, provided that they are suitable in kind and location and not harmful to agriculture, and that this would benefit the villages (the proportion affected would probably not be large), the countryside and the nation.

THE SCHEME FOR A LEVY ON INCREASES IN ANNUAL SITE VALUE.

MR. H. P. NYE (Fellow) in introducing the discussion on the above Scheme said that the opening words of the terms of reference of the Uthwatt Committee were, "To make an objective analysis of the subject of the payment of compensation and recovery of betterment."

This was a subject which had baffled Governments and experts for many years. In examining the problem the Committee had had the inestimable advantage of being able to make a close study of many schemes; some had been tried and failed, some had partly succeeded, some had not been tried, but all had proved insufficient. They also had the knowledge that public opinion had advanced and that suggestions unacceptable a generation ago were now likely to receive consideration.

After an exhaustive survey, the Committee had prepared a report which was remarkable for its vigour and clarity. If clear thinking and expression contributed towards the solution of a problem, then, indeed, the report went far. Whether it was the complete solution time alone could determine after its application.

The solution put forward was in two main parts, the first part of which had been discussed. The two parts, taken as a whole, formed a unified scheme and unless both were adopted the scheme would be incomplete. Either part might by itself be workable, but if the development rights outside built-up areas were acquired, land in built-up areas would be in a preferential position unless the second part, or some alternative, were adopted.

*Periodic
Levy.*

After considering in detail the present methods of recovery of betterment, the Committee recommended that general powers be given to Local Authorities to buy land for recoupment purposes, subject to the sanction of the Central Planning Authority, and that the present system of collecting betterment under the Town and Country Planning Act, 1932, be abandoned in favour of a periodic levy on increases in annual site value.

His remarks, said Mr. Nye, were confined to the proposed levy, the object of which was to secure to the community some proportion of the increase in

site values. The Committee pointed out that what the proportion should be was for Parliament to say, but they suggested, and they had some precedents for suggesting, 75 per cent. of the increase.

*Making of
Valuations.*

The initial valuation of the annual site value would be made by the Rating Authorities, and, except in London and in county boroughs, the latter would act under the directions of the County Valuation Committees. The annual site value would be recorded in the ordinary Valuation Lists which would have an additional column for this purpose. Rating Authorities were well acquainted with annual values and the Committee considered that the determination of annual site values would present no serious difficulty to valuers.

There would be a right of objection to the assessments in the same way as to ordinary rating assessments at present, also similar rights of appeal to Quarter Sessions, although the Committee appeared to doubt the suitability of Quarter Sessions for the purpose.

This procedure was familiar to the public and in his opinion County Valuation Committees, strengthened by directive powers, would have no undue difficulty in guiding Rating Authorities to carry out the valuations. The Assessment Committees would bring to the determination of the values a local knowledge, a sound judgment, and a keen sense of duty. He thought those bodies were the best existing bodies to do the work.

The initial valuation would have to be made to ascertain the annual value of the site as at the specified date, and as then actually and physically developed. This date might or might not be the same as the date of the ordinary quinquennial valuation for rating purposes. No levy would be made on the occasion of the initial valuation, which would be for the purpose of recording the datum annual site value. It was from this datum that all increases would be measured. Once fixed, the datum would be unalterable and the accurate fixation of this initial, or datum, value would be of great importance.

At the date of the next following quinquennial valuation for rating purposes, which would be a period of five years or less from the date of the initial valuation, the annual site value would again be estimated in its then state of development with the same rights of objection and appeal.

The re-valuation at each quinquennial would stand for five years with no interim valuations for site values except for the purpose of bringing into record a new property.

*Operation of
the Levy.*

If the annual site value at the quinquennial valuation showed no increase above the datum value, no levy would be made: if it fell below the datum, there would be no compensation or refund of past levies. If it showed an increase, a levy of 75 per cent. of the increase over the datum value would be made in each year of the quinquennium, subject to an allowance not exceeding 4 per cent. on the capital cost of improvements to the site. Those improvements would probably be those which make a site available for a building or structure, *e.g.*, provision of access, sewerage and

public utility services. The allowance would be for the value of the improvements, and if the improvements became obsolete or were superseded, the allowance would not be so much as 4 per cent. of the cost.

On pages 141 and 142 of the Uthwatt Report there was a calculation which illustrated the working of the scheme. Unfortunately there was a clerical error (to which attention had already been drawn) which seemed to have caused some confusion and made the levy appear to be unfair. The annual site value in the year 1953 was shown as £100 with an annual levy of £21, and in the year 1963 it was again shown as £100 with an annual levy of £30, although during the ten years a substantial amount has been spent on improvements to the site. The error consisted in the omission, in the 1963 re-valuation, of an amount for owner's allowance of £20 which, if properly inserted, would make the annual levy £15 instead of £30.

Annual Site Value.

Annual Site Value was not defined, but it appeared to mean the rent at the relevant date at which the site might reasonably be expected to let from year to year, as then actually and physically developed, and as if it were permanently restricted against any other form of development than that then existing. If the site at the relevant date was a bare site (that is, had not yet been developed, or had been developed by the provision of access and of common services of sewerage, water, electricity and gas, and not by anything in the nature of a building or structure) it had to be assumed that it could be developed, or could further be developed, in any prudent and lawful manner.

The idea of relating the value to the existing development followed the ordinary rating custom that a property must be valued as it is and not as it might be ; a house must be valued as a house without regard to the possibility of converting it into a shop ; a garage which could equally well be used as a store or workshop without structural alteration would be valued by reference to the best probable user.

The annual site value, although related to the composite property by having regard to the actual development, would be ascertained by an independent valuation, and not by an arithmetical proportion of the existing rateable value. A small building, comprising a shop and upper part having a rateable value of £100 might have an annual site value of £30 ; a much larger building comprising an old-fashioned house having a rateable value of £100 might have an annual site value of £15. Again, the value attributable to buildings might fluctuate to a greater extent than the value of the site. For example, a modern shop built just before the war with the object of securing a rent of £1,200 might be found to be too large for requirements and might realize only £1,000 a year. The annual site value would also suffer to some extent and might be estimated at £450 instead of £500. If the rent recovered after the war to £1,200, it was likely that the main part of the recovery would be in respect of the value attributable to the buildings, and the annual site value would not necessarily go up from £450 to £650.

Every case would be on its merits, but the fundamental principle was that the site must be valued independently within the limits of the existing

development. If he were right in this, it followed that the scheme allowed for recovery in the value of buildings brought about by fluctuations in trade and other causes without necessarily altering the annual site value. On the other hand, an increase in annual site value might occur without any alteration in the buildings or in the occupation.

If the existing assessment to rates were incorrect, this would be no reason for inserting an incorrect annual site value. The valuer would have regard to the assessment to rates but would not be bound by it.

Restrictions would usually be reflected in the existing development except in the case of bare sites.

Unit of Valuation.

The unit of valuation would normally be the unit of occupation, again following the rating custom, with power to aggregate rating units, such as a lodge belonging to a country residence, or to divide units, such as a factory in one occupation but in two ownerships. The Committee suggested that, in the case of blocks of flats and offices, it might be convenient to arrive at the annual site value of the whole property and then apportion it between the various occupation units. He thought in some cases it might be convenient to make one entry of the annual site value, the owner to agree with the lessee-tenants to be responsible for the levy, if it arose.

Exempted and Special Properties.

The scheme did not include agricultural land, and it was a matter for consideration whether such properties as market gardens and allotments, in built-up areas, ought to be included. They could be valued as bare sites, but as not chargeable with the levy until they ceased to be used for agricultural purposes. If they were excluded, a nursery garden, at present suitable for the erection of ordinary houses, might escape valuation until it was sold at a relatively high price as a site for a block of flats.

The scheme did not include farmhouses ; no doubt the expense of valuation would not be justified.

It did not include places of public worship, and did not say what would happen if a place of public worship were sold. Might the solution be to include all places of public worship in the initial valuation as if the sites were bare and not re-value them so long as their use remained the same ?

It did not include sites of public utility undertakings. Ought not the sites of works, showrooms and offices occupying important positions in towns to be included in the initial valuation ?

He assumed that bare sites in built-up rural areas would be included in the initial valuation ; the Report did not seem to be clear on that point. (Paragraph 333.)

There were certain special properties, such as playing fields, racecourses and golf courses, which might require special provisions. In the rating conception such properties were in beneficial occupation and were developed properties, but it might not be fair to value them within the limits of their existing rateable values, and the difficulty might be met by valuing them as bare sites or by some modification of the 75 per cent.

*Liability for
the Levy.*

The levy was to be borne by the person who was in enjoyment of the increase. An owner-occupier would be in enjoyment and a lessee already in possession at the prescribed date would be in enjoyment until the lessor could enter into enjoyment. The scheme contemplated freedom of contract in respect of the levy, except in cases of yearly or shorter tenancies.

If a property came into public ownership through the operation of the Development Rights Scheme and was developed, it did not remain outside the levy scheme. This seemed to be right, because, if a long lease were granted for development purposes, the annual site value might increase during the term of the lease. Who should bear the levy was a matter to be decided at the time of the granting of the lease.

Property which became unoccupied, including bare sites, would continue to be liable to the levy.

*Objections
raised and
possible
Answers.*

In introducing the discussion, Mr. Nye thought the meeting would wish him to indicate some of the objections that had been raised and the possible answers.

1. The scheme had been criticised on the ground that it would be difficult to ascertain the annual site value of property in relation to its existing development. This criticism seemed to ignore the fact that all rating surveyors made valuations of annual site value when they used "The Contractors Method." In applying this method the annual site value had to be ascertained on the basis of a tenancy from year to year in accordance with the actual existing circumstances, and not on the basis of some other user or development of the site.

2. He thought it must be admitted that the scheme would cause some unevenness in valuation, but the alternative was to value the site as bare, and capable of the best possible development. This, in effect, was the basis of the famous "Lloyd George" valuation. He thought those who were concerned with that valuation would agree that the scheme of increment value duty contained a great deal that was sound in principle, but that it was over-weighted with technical detail. If a developed and built-up site were to be envisaged as bare and available for other development, there was divorcement from existing facts and many complications were likely to arise in valuation, such as :—

(a) Cost of divesting the site ; consideration of restrictive covenants ; rights of light and air ; building and improvement lines ; were other sites bare or in their present state, and if all bare, why not go all the way and assume the streets and services cleared and a remodelled city ?

(b) Another difficulty in many closely built-up areas was that it was by no means certain that a cleared site of a small house would form a land unit under the Town Planning Act for the purposes of re-building.

(c) This conception of bare sites would also involve new and different machinery because the Assessment Committees would not be conversant with this more difficult and elusive subject, and might not be capable of pinning down the evidence.

3. Another criticism was that it would be better to assess capital site value instead of annual site value. He suggested that to relate the levy to "annual" rather than "capital" site values was less onerous, was more equitable as it allowed a review every five years, and was likely to be much cheaper to administer. Moreover, if the development rights outside built-up areas were acquired and licences granted, such licences were likely to be paid for in many cases by annual instalments. The leasehold system would become well understood, and, with it, annual site values. In any case, surveyors were well acquainted with ground rents. If there was a strong feeling that it ought to be on capital values, why not allow the levy to be capitalized at 20 or 25 years' purchase and frank the site up to that amount.

4. A further criticism was that the levy would be discriminatory. This did not appear to be a fundamental objection, because if betterment were a proper subject for taxation, and if at present it were going into the hands of a particular class, any tax upon it must of necessity be discriminatory, but it might still be just.

5. If the levy were unfair, by reason of taxing betterment without allowing subsequent worsenment in a particular property, would it not be a remedy if the levy, or part of it, were allocated to relieving such cases by compensation or refund. The Committee had expressly refrained from suggesting how the proceeds might be ultimately applied. If members were considering whether property-owners as a class were to be protected against "worsenment," it must be remembered that "land is a necessary commodity of limited extent" (Scott Committee), and also that "worsenment" is often to buildings and businesses rather than to sites.

6. A point for consideration was whether the levy should be so high as 75 per cent. The increment value duty under the Finance (1909/10) Act, 1910, was £1 for every complete £5 of increase. On the other hand it was reasonable to assume that the 75 per cent. levy would be a deduction for income tax purposes. If there were substance in the contention that private enterprise was responsible for a substantial part of betterment, then a modification of the 75 per cent. might meet this contention.

7. The Committee were not unanimous and Mr. James Barr had put forward certain objections, but he agreed that the theory of the scheme probably was, in all the existing circumstances, as effective as could be suggested to achieve the end in view.

Conclusion. The rejection of the schemes set out in paragraphs 304 to 307 gave the impression that the Committee were anxious to keep strictly to their terms of reference to make an objective analysis rather than to seek out methods of taxation. These schemes were more drastic than the scheme put forward by the Committee, and it was noteworthy that both of them took the value of the land as used and not as unrestricted.

It would appear that if the scheme for the acquisition of development rights were carried through, some scheme must be adopted for the built-up areas. Under the Development Rights Scheme the whole of the increase between the date of acquisition of the rights and the grant of a lease for development would accrue to the State in the fixing of the ground rent. Any increase after the grant of the lease would come under the levy scheme and be liable to 75 per cent. duty on the increase. If the levy scheme were discriminatory, did not the same remark apply to the Development Rights Scheme? Both the schemes endeavoured to recover betterment and the main reason for the difference in method was because it was not contemplated that the proceeds in the built-up areas would justify the great expense of acquisition and administration, and the levy scheme had been put forward as comparatively simple and inexpensive.

Mr. S. Vvyvian Hicks (Fellow) said that he disagreed with what Mr. Nye had said. In the first place, he saw no reason why, because a proposal was put forward for the undeveloped areas, there must be a proposal of some sort for built-up areas. Secondly, the question of whether or not there was going to be any taxation of the increase of site values had nothing to do with rating. The valuation of premises for rating purposes was not necessarily in any way connected with the ascertainment of the site rental value, particularly where the site was only partially developed. The simple method of adding another column to the various columns in the existing valuation list and saying that the ground rent must be one-fifth or some fraction of the gross or the net could not be adopted.

The best reference to the matter was in the Uthwatt Report itself, where the Committee said, in paragraph 308: "We are forced to the conclusion that 'no *ad hoc* search for 'betterment' in its present strict sense can ever succeed, and that the only way of solving the problem is to cut the Gordian knot by

“ taking for the community some fixed proportion of the whole of any increase in site values without any attempt at precise analysis of the causes to which it may be due.” That was really a summary of the Committee’s recommendations. They did not know how they were going to do it, but there was a system of rating and that would be a very simple way of calculating the existing ground rental value.

The main injustice in the scheme was shown by the following illustration : Let them assume that there were three identical sites in the same street. One site was only a quarter developed : it might have an old building upon it, which ought to have come down 20 years ago, with a rental value of £100. The site rental value, under the proposed scheme, might be put at £20. The next site was fully developed with a brand-new building on it, bringing in, say, £500 a year. The site value under the proposed scheme would be, say, £75-£100 a year. Thirdly, there was a bare site with nothing on it at all. In that case one had to assume that the site rental value was that which it would command in the open market. So the owner of the cleared site “ got away with it ” entirely, whereas the man with an old building upon his site would have a lower site rental value under the scheme than the man with the new building on his site, and he would be charged 75 per cent. of the increase as and when it was developed to its full capacity, regardless of the fact that perhaps a few months before he had bought the property at a capitalised figure based on its value for its best use—and he might even have paid death duties upon that figure.

He thought that, whatever the views of members might be with regard to the acquisition of development rights, there were many difficulties in the way of the scheme for a levy on increases in annual site value, and that the scheme would prove not only inequitable, but quite impracticable, for proper assessment.

MR. MAYNARD TOMSON (Fellow) thanked Mr. Nye for his very clear exposition of the subject under discussion.*

He would concentrate his remarks entirely on datum annual site value, and he referred the meeting to paragraph 294 of the Uthwatt Report, which stated :

“ We should say here that we do not conceive that it is within our province to consider site values in reference to the problem of rating and taxation as such ; what we are concerned with is *increases* in the value of land.”

To his mind, the crux of the matter regarding the proposed levy on site values was the question of the definition of datum annual site value, for unless that was made clear all the rest was obscure. Mr. Eve, in his observations at the Auctioneers’ and Estate Agents’ Institute, seemed to be propounding similar questions, and an interesting letter appeared in the *Estates Gazette* of 16th January in which the writer said that a fundamental point was “ the meaning of site value.” Similar queries had since appeared in the Press.

In the Finance (1909-10) Act, 1910, Part I, no less than four different classes of site value were given, namely, full site value, original site value, assessable site value, and site value on occasion, in each case the site having been divested of buildings and even of trees and fruit bushes.

He wished to try to arrive at some definition of datum annual site value. His definition might not be what the Uthwatt Committee intended, but it was what he would consider to be the definition until enlightened further on the matter. He would say that datum annual site value was the annual value of the site assumed to be a cleared site (upon that he was particularly anxious to have enlightenment), permanently restricted against any form of development other than as actually and physically developed at the time of the initial valuation, which datum annual site value should include all improvements to the bare site, such as levelling, roads and sewers, made up to date.

* Mr. Nye was also thanked by subsequent speakers.

To arrive at the datum annual site value, one must first, he assumed, arrive at the capital site value and from that take a certain percentage according to position and nature of security. In other words, inverting the "valuer's method" suggested in paragraph 83 of the Report, datum annual site value = $\frac{\text{capital value}}{\text{years' purchase}}$, the years' purchase being a figure representing an appropriate number of years' purchase.

If that were a reasonably correct definition he did not envy the local authority their task of making the valuation through the ordinary valuation machinery, even with the assistance of the county valuer, as the method would be entirely different from the usual methods employed at present, and many members remembered the chaos that obtained when "expert" valuers endeavoured to put into practice the complicated definitions of site value given in the Finance (1909-10) Act, 1910.

MR. J. P. RHYS (Fellow) said there was an arithmetical matter in connection with the proposed method which caused him concern. Supposing the increase in an owner's annual site value was £100, and supposing income tax was still at the present level of 10s. in the £, and the Schedule A assessment was increased by the same amount as the property had increased in value, would not the effect be that he had to pay 10s. in the £ on an assessment which had increased by £100? If that were so, he would pay to the Inland Revenue under Schedule A, an additional sum of £50. The levy, as he understood it, was charged on the £100, so the levy would be £75. Was he right or wrong in thinking that the return to the owner would be minus £25?

Two other points interested him, one being the question of inflation. If the value of money altered and a change occurred in the value of property, would that be translated into terms of increased site value?

Secondly, what would happen with regard to legislation, such as the Rent Restriction Acts. Under those Acts there might be two exactly similar houses side by side, one being a decontrolled house and worth £800, the other a controlled house and worth £600. Would the annual site values of the two be the same? If not, on what would the difference go? Would it go on the site, or would one have to say: "If I am cubing a controlled house I must cube at 10d., but if a decontrolled house I must cube at 1s. 2d.,"?

Further, if a man bought an estate of old houses and created a shopping centre in the middle, that was good business, and moreover, it was good for the locality. As he understood it, 75 per cent. of the increase in value of that property would go to the State, but was 75 per cent. of the increase in value occasioned by the shopping centre due to any State action or to anything the Government or the public had done? Surely the increase was due to the enterprise of the man who started the shopping centre.

Again, if there were two adjoining owners, A and B, and A did something which increased the value of B's property, as not infrequently happened, it had not occurred to B in the past to say to A: "I want to share with you."

What would be the annual site value of a cinema or of an undeveloped site liable for road charges? Would the value of the former go up and down as the takings varied?

He hardly thought the conditions caused by the levy would be conducive to enterprise and development and was not the real idea behind it merely the creation of an additional source of revenue?

MR. G. W. A. GURNEY (Professional Associate) said Mr. Nye had expressed great confidence that rating surveyors could tackle the problem of ascertaining the annual site value, but personally he differed from that view, because there were many people handling rating at the present time

who were not competent to handle that very difficult problem, without having to handle the more intricate problem of the assessment of annual site value. There were many small towns where the local valuer was the Borough Treasurer, and, if he were to be saddled with this problem, neither he nor the owners of property in his area were to be envied. Personally, he was doubtful whether the local rating authority *could* tackle the problem. Could a lay Valuation Committee or a lay Assessment Committee deal with it? It was true they were advised by experts, but they did not always accept expert advice; he could quote one case not far from London where, at the last rating re-valuation, the local council passed a resolution that the assessment of 20,000 houses should be reduced by 10 per cent. If local politics could enter into rating, how much more were they likely to enter into the problem of annual site value.

So far as he knew, there was no suggestion in the Report as to whether the levy proposed was to go to the local council or to the Government, but he assumed it would be the latter. The local authority had some incentive to obtain correct assessments for rating purposes, but in making assessments for Government purposes it would have no such incentive. In fact, there might be an incentive to put values low, so that the authority could say: "See what a desirable town ours is!"

Therefore he was convinced that the local authority was not the proper body to deal with the matter, even though under the direction of the County Valuation Committee. There were, too, many county boroughs which had no County Valuation Committee to direct them.

He also gravely doubted whether assessment of annual site value on the basis of user was practicable. Certainly it would not be a practicable proposition in many cases. It was possible, as a rule, to arrive at the real site value, although even then, it was necessary to know what could be put on the land, but to arrive at the theoretical valuation was a problem with which lay Assessment Committees, he thought, would not be competent to deal. At the present, they were perhaps competent to handle questions of rent, as they knew what rents were passing in their areas, but, in order to deal with annual site value, in many cases they would first have to ascertain the capital value of the land and buildings and then the capital value of the buildings, which would leave them with the capital value of the site, and then take a percentage upon that. Those were most difficult problems to solve.

If it were necessary to have an annual site value (and he hesitated to differ from the authors of the Report with regard to that), he suggested that the local authority was not the proper body to deal with it, and that it was time a Central Valuation Authority was appointed. At present the Inland Revenue made valuations for probate and the local authority for rating. The local authority made valuations when it wished to acquire land, but when it required a grant to purchase that land the matter was referred to the Inland Revenue Department, who made a valuation to see whether a grant could properly be made. Therefore he suggested it was time a Central Valuation Authority was appointed to deal not only with rating, probate and public acquisitions, but also with the annual site value.

MR. J. D. TRUSTRAM EVE (Fellow) said it must be remembered that the proposal was a suggestion for the collection of betterment, and it should not be criticised on any other basis. Some people did not think that the proposal which the Committee made was a solution of that problem, but he wished to raise the following point. If it was right to stop people making a profit out of land (he did not know whether it was or not), surely it was wrong to allow owners to bear losses on their land, or, if it was not wrong, was it good policy to take away their profits and allow them to make losses? Would that not stop them developing their land?

The terms of reference of the Uthwatt Committee included the solving of betterment-compensation problems, and, to his mind, that meant it was necessary to ensure that betterment was collected from the same type of person as the person to whom compensation was paid. The Committee had failed, as they said themselves, to solve the betterment problem, and they solved the compensation problem by merely narrowing the field within which compensation should be paid.

It seemed to him that the natural corollary to universal betterment was universal worsement and on that subject a long discussion could be held. He thought Mr. Nye had mentioned that some hard cases might be dealt with in that way, but he did not go so far as to suggest that worsement should be paid to owners whose sites fell below the datum. If that were done, owners would be paid for laziness, inefficiency and deliberate sabotaging of their own development of their land in order to collect a cheque if they happened to be hard up.

With reference to the case quoted by Mr. Ellis, in which the reduction of a tram fare from a penny to a halfpenny had ruined certain shopkeepers, those shopkeepers had got worsement, but the reduction in the fare might have improved the position of the shopkeepers in the other area. If the latter paid betterment under the scheme, should not it be paid to the shopkeepers who had got worsement? He thought that was fundamental to the whole scheme.

The Committee had failed to produce a betterment scheme and had produced only a taxation scheme, and 15s. in the £ would have to be paid on increased site value. Schedule A covered the building, the site and any increase in the site value; therefore 10s. in the £ was already being paid on the increase in site value, and might there not now be an additional 15s.? The Committee had not said that the 10s. in the £ under Schedule A would be paid in addition to the levy. If not, the increase was only 5s. above the present Schedule A.

He asked Mr. Nye whether he agreed that, under the proposed scheme, if a garage were added to a house the site value would be increased. Some people said that improvements were rated; he contended that was not true, but, if it were true in the case of rates, it would certainly be true in the case of the proposed levy, because the site value had to be taken on the site as at present developed, and if a garage were added that would increase the site value. Taking the case of a factory which had a new wing added to it, the spare land round the factory would have to be valued low, as space, and not as the site of a future wing, because it was valued at its present development. Directly the wing was added, up went the site value.

The point raised by Mr. Rhys with regard to the Rent Restriction Acts was covered by the famous case of *Poplar v. Roberts*, which decided that in rating the restricted rent was to be ignored. Whether that case would apply to the levy scheme he did not know, but, if it did, it would mean that the sites of the two houses would be valued at the same figure and that, although the owner might be receiving a low rent from his restricted house, he would have to bear any increase in the site value of it, just as in the case of the decontrolled house.

With regard to the question whether rating surveyors could deal with the annual site value problem, he thought the difficulties of the scheme should be seriously considered. In his opinion, rating surveyors could deal with the matter, but it would certainly not be easy.

He denied that rating surveyors were accustomed to dealing with annual site values or ground rents. Frankly, he had yet to be told how a rating surveyor was going to find the annual site value for the purpose of the proposed levy, although he had asked many people. Mr. Nye had told him it would be found by taking the capital value of the whole property and deducting from it the capital value of the buildings, but personally he was not sure that that could be done by rating authorities.

MR. H. C. POWELL (Fellow) suggested that rating went out of date with the industrial age, and had been out of date for the last century. It was still in existence because the scientific study of land tenure and everything appertaining to it simply did not exist in this country, although all other European countries and America had been studying the subject, especially from an agricultural point of view. There could be no sensible equitable scheme if the present system of rating were continued, instead of dealing with the matter by taxation. He did not think that the scheme proposed in the Uthwatt Report should be proceeded with. There was, to his mind, a failure to realise that changes were taking place.

Anyone who studied economics now realised that the economists found it almost impossible to define the word "land." The real trouble was that life had become so complex; our economy and laws and everything else to do with "land" were so complex that to tax increments in the value of it was practically impossible. To try to extract from those interested an increment which had come to them through changes in customs or habits or population was, to his mind, fantastic in the extreme. It would be no more fantastic to divide a city into areas graduated out from the centre and to tax the centre at so much and the concentric rings at so much as they approached the periphery. He thought that to try to catch the fleeting values and pin them down and then extract the money in any reasonable way from the infinite variety of owners and interests was a waste of time and a purely academic matter.

MR. A. C. ELLIS (Fellow) regretted that no contribution to the discussion had been made by any valuation officer or district valuer. He felt that such a contribution would have aided the ordinary practitioner.

MR. A. W. CRAMPTON (Fellow) again spoke in favour of the nationalisation of land.

MR. H. P. NYE, in replying to the discussion, agreed that a definition of datum annual site value must be included in any Bill which was promoted. He would say it was the value of the cleared site, that is, the site cleared of buildings and structures but still enjoying common services of drainage and so forth.

He thought that Mr. Eve, by referring to the well-known House of Lords case of *Poplar v. Roberts*, had given the correct answer to Mr. Rhys' question concerning the site value of two identical houses, one of which was controlled and the other de-controlled.

Mr. Gurney had expressed doubts about the ability of local authorities to undertake the work of ascertaining annual site values. He would remind Mr. Gurney that the County Valuation Committees were given directive powers under the scheme, which would greatly strengthen them.

In reply to Mr. Eve, he would say that, if the site of a house with a garage had, by reason of lack of demand, a value of, say, £10, and then, by reason of a demand arising for houses with a garage, it acquired a higher value, a proportion of the higher value would be subject to levy.

With regard to the case of the factory to which Mr. Eve had referred, he thought the site improved in value by reason of its more intensive user and would be subject to levy, but it should be remembered that in many cases a factory went out of fashion and became redundant. If he was right in his reading of the scheme, it allowed for the recovery value of buildings without

necessarily an increase in the site value, and there might be a factory not entirely used which then became fully used and then was extended. There were three stages, but not three stages in the ascertainment of the site value. There might be only two stages in that—the initial stage and the final stage, while the recovery value of the building, at the intermediate stage, would not belong to site value.

The question of worsement was a wide subject, into which he could not go on the present occasion. Worsement related not only to sites, but also to businesses and buildings, and he did not know how it could be analysed in order to find how much of the worsement was attributable to the site and how much to the building or business.

On the motion of Mr. HUMPHREY RYDE (Honorary Secretary), a vote of thanks was accorded to Mr. Sydney Smith and Mr. H. P. Nye for opening the discussions,* and the meeting concluded with a vote of thanks to the President, proposed by Mr. A. G. HARFIELD (Fellow).

The following written contribution has been received from Mr. G. ROWLAND THOMAS (Professional Associate) :—

With reference to the assessing of the site values of similar controlled and de-controlled houses, and also of " old-controlled " and " new-controlled " houses, the decision laid down in *Poplar v. Roberts* would not appear to apply.

In the case of rating it is the value of the occupation which is being assessed, and it is the occupier who is liable for payment of the rates. In the case, however, of the proposed site value assessments it would be the value of the site bringing in the restricted income which had to be found, and it would be for the owner to pay the levy on the increase, if any. The site has to be valued as at present developed, which includes all restrictions in force.

* The first part of the discussion, dealing with the proposed scheme for the acquisition of development rights by the State, appeared in the Transactions with the March Journal.